

CERTIFICATE OF NEED
REVIEWED BY THE DEPARTMENT OF HEALTH
DIVISION OF POLICY, PLANNING AND ASSESSMENT
615-741-1954

DATE: February 28, 2018

APPLICANT: Campbell Clinic Surgery Center
Unaddressed site on south side of Wolf River Blvd.
Germantown, Tennessee 38138

CONTACT PERSON: John Wellborn
4219 Hillsboro Road, Suite 210
Nashville, Tennessee 37215

COST: \$21,485,200

In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Policy, Planning, and Assessment, reviewed this certificate of need application for financial impact, TennCare participation, compliance with *Tennessee's State Health Plan*, and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

SUMMARY:

The applicant Campbell Clinic Surgery Center, LLC, (CCSC, LLC) seeks Certificate of Need (CON) approval to replace its current Ambulatory Surgical Treatment Center (ASTC) located at 1410 Brierbrook Road, Germantown, TN with a new facility located at an unaddressed site on Wolf River Blvd. If approved, this CON will replace previously approved but unimplemented CON CN1208-040, which granted the addition of 4 operating rooms and 1 procedure room.

This project does not include major equipment, additional services or change of ownership.

This application has been placed on the Consent Calendar. Tenn. Code Ann. § 68-11-1608 Section (d) states the executive director of Health Services and Development Agency may establish a date of less than sixty (60) days for reports on applications that are to be considered for a consent or emergency calendar established in accordance with agency rule. Any such rule shall provide that, in order to qualify for the consent calendar, an application must not be opposed by any person with legal standing to oppose and the application must appear to meet the established criteria for the issuance of a certificate of need. If opposition is stated in writing prior to the application being formally considered by the agency, it shall be taken off the consent calendar and placed on the next regular agenda, unless waived by the parties.

GENERAL CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan*.

NEED:

The applicant's services area includes Shelby, Tipton, and Fayette counties in Tennessee and DeSoto County in Mississippi and Crittenden County in Arkansas.

The following illustrates the Tennessee counties' population.

	2017	2021	% Increase
Shelby	964,804	986,423	2.2%
Fayette	45,626	49,441	8.4%
Tipton	68,247	72,169	5.7%
Total	1,078,677	1,108,033	2.7%

Tennessee Population Projections 2000-2021, 2015 Revised UTCBER, Tennessee Department of Health

CCSC, LLC Patient Origin within the service area

County of origin	Number of patients	Percentage of total patients
Shelby	4,245	62%
Tipton	355	5%
Fayette	260	3.8%
Other states	1,591	23%

Source: 2016 Joint Annual Report for ASTC

CCSC, LLC, is a privately owned practice Ambulatory Treatment Center specializing in Orthopedic and pain management cases. CCSC, LLC received CON approval in November of 2012 with CN1208-040 to expand their existing ASTC facility to more than double in size, and increasing from 4 to 8 operating rooms and from 1 to 2 procedure rooms.

However, CCSC, LLC recognized that in order to satisfy its long term physician recruitment, significantly more office space would be needed, as well as, increased surgical capacity. CCSC, LLC, asked and was granted a project extension from the HSDA board, during which time a new application could be filed.

This new application requests approval to construct a new medical office building containing the ASTC and physician offices on property already owned by CCSC, LLC. adjacent to the existing ASTC building. This project does not increase rooms or services from that of the previous approved CON project.

CCSC, LL. Is solely owned by The Campbell Clinic, P.C., comprised of 47 physicians. The surgical center is a private practice utilized by the physicians of The Campbell Clinic, and restricted to the treatment of their patients.

		Availability/Number of Rooms			Utilization of Services									Utilization of Services			
					Single or Multi-Specialty	Orthopedics			Pain Management			Total			Operating rooms cases % capacity	Procedure rooms cases % capacity	
Facility Name	County	Operating Rooms	Procedure Rooms	Total		Yes/No	Operating Room Cases	Procedure Room Cases	Yes/No	Operating Room Cases	Procedure Room Cases	Operating room cases	Procedure room cases	Total cases			
Midsouth Intentional Pain Institute	Shelby	0	2	2	Single Specialty	No	0	0	Yes	0	3360	0	3360	3360		62.99%	
Surgery Center at Saint Francis	Shelby	4	2	6	Multi Specialty	Yes	2259	0	Yes	0	1906	3611	3126	6737	71.48%	58.61%	
Semmes-Murphey Clinic	Shelby	3	2	5	Multi Specialty	No	0	0	Yes	0	5129	1536	5129	6665	40.54%	96.16%	
Campbell Clinic Surgery Center	Shelby	4	1	5	Multi Specialty	Yes	3322	0	Yes	0	3466	3322	3466	6788	65.76%	129.96%	
Baptist Germantown Surgery Center	Shelby	5	0	5	Multi Specialty	Yes	981	0	Yes	829	0	3861	0	3861	61.14%		
North Surgery Center	Shelby	4	1	5	Multi Specialty	Yes	776	0	Yes	0	1174	2369	1174	3543	46.89%	44.02%	
Methodist Surgery Center Germantown	Shelby	4	1	5	Multi Specialty	Yes	1152	0	Yes	0	1248	3987	1248	5235	78.92%	46.79%	
Campbell Clinic Surgery Center Midtown	Shelby	4	0	4	Multi Specialty	Yes	1725	0	Yes	1028	0	2753	0	2753	54.49%		
Mays and Snapp Pain Clinic and Rehabilitation Center	Shelby	2	0	2	Single Specialty	No	0	0	Yes	4395	0	4395	0	4395	173.99%		
East Memphis Surgery Center	Shelby	6	3	9	Multi Specialty	Yes	327	0	Yes	0	614	4246	1155	5401	56.03%	14.44%	
Le Bonheur East Surgery Center, II	Shelby	4	0	4	Multi Specialty	Yes	21	0	No	0	0	2462	0	2462	48.73%		
Memphis Surgery Center	Shelby	4	1	5	Multi Specialty	Yes	296	0	No	0	0	1686	0	1686	33.37%	0.00%	
Totals		44	13	57			10859	0		6252	16897	34228	18658	52886	66.49%	56.62%	

Source: Joint Annual Report of Ambulatory Surgical Treatment Centers 2016 Final, Tennessee Department of Health, Division of Policy, Planning, and Assessment-Office of Health Statistics

There are currently 44 Operating Rooms in the service area operating at 66.5% of Full capacity (1,263 cases/year), and 13 Procedure Rooms operating at 56.6% of Full capacity (2,667 cases/year).

These 44 Operating Rooms are operating at 88% (778 cases/year) of the minimum 70% (884 cases/year) per the ASTC standard baseline for cases per year.

The 13 Procedure Rooms are operating at 76.8% (1,435 cases/year) of the minimum baseline (1,867 cases/year) per the ASTC standard baseline for cases per year.

Some of the multi-specialty clinics perform cases in more specialties than just pain management and orthopedics. CCSC, LLC. performs exclusively pain management and orthopedic cases.

TENNCARE/MEDICARE ACCESS:

The applicant currently participates in Medicaid/TennCare # 1551834, and Medicare # 3288698.

Payor Mix Year One

Payor Source	Projected Gross Operating Revenue	% of Total
Medicare/Medicare Managed Care	\$17,548,406	17.2%
TennCare/Medicaid	\$11,229,644	11.0%
Commercial/Other Managed Care	\$68,274,107	67%
Self-Pay	\$180,582	.18%
Other	\$4,671,545	4.6%
Charity Care	0	0
Total	\$101,904,284	100%

The applicant has a favorable proportion of Medicare and TennCare payor mix but projects no charity care for year one of the project.

ECONOMIC FACTORS/FINANCIAL FEASIBILITY:

The Department of Health, Division of Policy, Planning, and Assessment have reviewed the Project Costs Chart, the Historical Data Chart, and the Projected Data Chart to determine if they are mathematically accurate and if the projections are based on the applicant's anticipated level of utilization. The location of these charts may be found in the following specific locations in the Certificate of Need Application or the Supplemental material:

Project Costs Chart: The Project Costs chart is located on page 40R of Supplemental A1 of the application detailing a total cost of \$21,485,200, with \$14,515,200 for the facility lease.

Historical Data Chart: The Historical Data chart is located on page 44R of Supplemental A1. The applicant reported 7,048, 6,867, and 6,809 cases in 2014, 2015, and 2016 with net operating revenues of \$2,015,602, \$2,537,467, and \$2,951,953 respectively.

The applicant reported 7,353, 7,252, and 6,788 cases for 2014, 2015, and 2016 on the Joint Annual Reports for Ambulatory Surgical Treatment Centers respectively.

Projected Data Chart: The Projected Data Chart is located on page 47R of Supplemental A1. The applicant projects 10,124 and 10,651 cases in year one and two with net operating revenues of \$5,206,961 and \$5,358,729, respectively.

Proposed Charge Schedule

	Previous Year	Current Year	Year One	Year Two	% Change
Gross Charge	\$8,101	\$8,312	\$10,048	\$10,525	4.75%
Average Deduction	\$6,245	\$6,317	\$7,536	4,75%	
Average Net Charge	\$1,856	\$1,995	\$2,512	\$2,631	4.74%

Proposed gross charges are higher than most current multi-specialty ASTCs charges in the service area.

A staffing chart is located in Supplemental A1 of the application. Staffing for the project will require 32 new full time equivalent employees with 29 of these being clinical personnel.

Proposed Staffing	
Title	Proposed FTE
RN OR	29
CRNA	
Receptionist	3
Contractual Staff	
Total	32

The Campbell Clinic will develop a new 120,000 square foot medical office building. CCSC, LLC, will lease 32,000 sq. ft on the first floor where the ASTC will be located. The cost per square footage is \$435, or 32,000 square feet at a construction cost of \$13,940,000. Funding for the project will be financed by a loan from First Tennessee Bank.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE:

This project will replace a previously approved CON application, with the exception of relocating the ASTC to a site an MOB which will also house the majority of physician practice offices. This will reduce physician travel time, and increase patient convenience.

The previously approved CON expansion plan was determined to be too disruptive to CCSC's operations due to prolonged phased construction. This application provides approximately the same floor space as in the prior expansion plan. The option to relocate and construct a new MOB was the most effective alternative. Also, the new location does not significantly change the location as the new ASTC will be in a building less than 100 feet from the current ASTC.

QUALITY MEASURES:

CCSC is licensed by the Department of Health, and accredited by the Accreditation Association of Ambulatory Healthcare.

CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF HEALTH CARE INSTITUTIONS

1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.

Not Applicable

2. For relocation or replacement of an existing licensed health care institution :
 - a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.

This plan calls for the replacement of a previously approved CON CN1208-040. While this plan has a cost increase over the previous plan of approximately \$6,000,000, once completed the owner, Campbell Clinic, will then have an existing building that can be renovated to house physician offices and support services making the plan more cost effective in the long range.

- b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

The one procedure room for CCSC has operated at approximately 130% of capacity.

- 3. For renovation or expansions of an existing licensed health care institution:
 - a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.
 - b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.